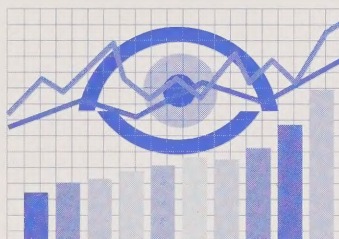


## Eye On Investments

### New Feature

We're introducing a new feature called "Eye on Investments". Each issue, we'll have an article focussing on the investment side of our business.



We'll keep you up-to-date on major purchases and the performance of the fund. We'll discuss trends and issues you may be reading about in the business section of your newspaper. In addition, we'll tell you about the people behind the scenes, and focus on their investment strategies.

Our introductory feature discusses one of the hottest topics in today's investment news—derivatives. Turn to page 3 to learn how the plan uses derivatives to its advantage.

### 1994 in Review

The *1994 Report to Members* is enclosed with *Pension News*—it is a summary of the *1994 Annual Report*.

### Focus group study

We have designed and written the report in response to the suggestions of teachers and pensioners who participated in a series of focus groups last October.

They wanted a brief report in simple language, supported by illustrative charts and tables. This is what we have strived to deliver.

## Bids Making News

We have recently been in the news with our offers to invest in Cadillac Fairview and Maple Leaf Foods. The respective meetings to vote on the bids were both scheduled for mid-April. Results were not available at time of print.

### Cadillac Fairview

The company owns a total of 60 properties in major Canadian and U.S. cities. The properties are mostly shopping centres and include such prized real estate as the Eaton Centre in Toronto and the Pacific Centre in Vancouver.



Our bid is in partnership with the Blackstone Group of New York. If successful, together we will invest \$300 million for approximately 30% of the company. With our investment in Cadillac Fairview, our real estate holdings will remain well within the asset-mix target of 5%.

### Maple Leaf Foods

With revenue of \$3.2 billion, Maple Leaf Foods is one of Canada's largest producers of prepared meats and grocery products. We will invest about \$150 million in the deal and are a partner in the bid lead by Wallace McCain.

Aside from Maple Leaf, brand names include Shopsy's, Tenderflake, Nutriwhip, Monarch, Cadbury and Dempster's. The food service part of the business includes Country Style Donuts and Buns Master Bakery.

### What's Inside...

-  A creative retirement story, page 2
-  Paydate change reminder, page 4



## The Art Of Retirement

When Bert Wreford retired from teaching almost four years ago, he didn't think retirement was going to be this good. "My best hopes have been realized. It is an important time in my life. A time of rebirth. A rediscovery of myself and my relationship to others."

Bert taught art at a Hamilton-area secondary school for 24 years before retiring in 1991. He has been busy ever since. Bert is a volunteer in his community, works on his art and is learning a new language.

"I'm amazed when I hear stories about people who don't know what to do with themselves once they retire," says Bert.

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*"Retirement is a gateway to doing the things you really want to do, preferably for other people."*

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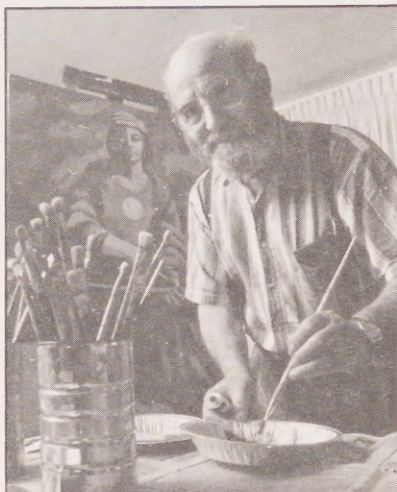
### Committed to his community

Bert's desire to help other people comes from his commitment to social issues. Doing volunteer work is one way he demonstrates this commitment.

Bert volunteers once a week at a local hospital in the psychiatric rehabilitation department, and is involved in refugee work through his church. He finds both of these experiences rewarding and feels they add a new dimension to his life.

### Channelling his energy

"Retirement means I can commit myself to things I feel are important. I was an art teacher—now I am able to put my energies into my own art."



*Here's Bert, at his home studio, getting ready to work on his latest creation.*

Bert's art will be on display at the Spectator Newspaper Gallery in June as part of a show organized by the Hamilton Area Arts Council. He will have 10 or 12 large oil paintings and several three-dimensional works in the show.

### Never too late to learn

A trip to Guatemala shortly after retirement spawned an interest in learning Spanish and Bert now attends night school once a week to learn the language. He plans to use his new language skills on a trip to

Nicaragua, El Salvador and Guatemala, tentatively planned for this fall.

*Thank you for your story Bert!*



You may wonder how we found the people featured in our 1994 and 1992 annual reports.

The pensioners featured in both reports had sent us their retirement stories after reading this column. So if you have an interesting retirement story, please let us know. Write your story down and send it to us at the address on the back of this newsletter.

Just think, we may contact you someday and feature you in one of our publications!

#### **Editor's Note:**

We want to thank everyone who has written to us since we introduced this column.

Your response has been greatly appreciated and we have kept your story on file for possible use in the future.



# Derivatives Used As Hedge Against Risk

**'To condemn derivatives is like preaching about the danger of seatbelts.'**

*John Hunkin, President, CIBC Wood Gundy,  
during an address to the Canadian Club, November 14, 1994.*

In today's investment environment, using derivatives is like driving with a seatbelt.

## What are derivatives?

Derivatives are sophisticated tools that can be used with many types of investments. "The sensational stories in the news media are about a few who have used derivatives for highly speculative gambles," says Robert Bertram, the pension plan's Senior Vice-President, Investments.

"This does not mean all derivatives should be condemned. That would be like restricting aspirin because a few are addicted to cocaine."

At the Teachers' Pension Plan we use derivatives to convert returns from non-marketable Ontario debentures, to floating interest rate returns, then to stock market returns. This is a sensible way to manage our risk exposure to interest rate fluctuations. The derivatives or swaps involve only the returns—we retain ownership of the original bonds or debentures.

## Why are derivatives an important tool?

Like seatbelts, we use derivatives to reduce the risks from investing. By using derivatives, we reduce the plan's exposure to changes in long-term interest rates.

For example, before we began to use derivatives, a 1% increase in long-term interest rates would decrease the market value of our debentures by 7%. Our use of derivatives has reduced this impact to 3%.

Derivatives help us manage risk by reducing our exposure to interest rate volatility.

## Controls on derivatives

The Board of Directors has been diligent in establishing strict controls on the use of derivatives. For instance, we only enter derivative

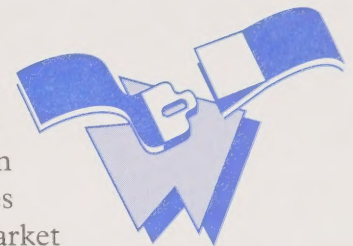
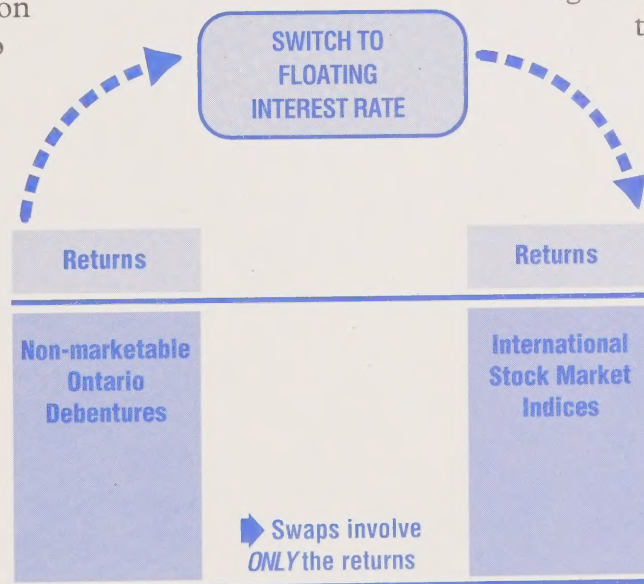
agreements with financial institutions that enjoy high-quality credit ratings, roughly equal to the province of Ontario. Also, our maximum exposure through derivatives to any single counterparty is less than 1% of the total fund.

## More details in 1994 Annual Report

If you're interested in learning more about the pension plan's use of deriva-

tives, read the section on "Risk Management" in the 1994 Annual Report.

You can obtain a copy by contacting Linda Keon, Editor, at (416) 730-5357 or 1-800-668-0105, extension 5357.





# A Couple Of Important Reminders

## Paydates Changing in May

MAY 1995												
	1	2	3	4	5	6						
7	8	9	10	11	12	13						
14	15	16	17	18	19	20						
21	22	23	24	25	26	27						
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Beginning in May, your pension will be paid on the last business day of the month. You are currently paid on the third last business day of the month.

We announced this change in our "special notice" sent to you in late January with your 1995 pension inflation adjustment statement and 1994 T4A.

We're making this change to bring our business practices in line with the plan. According to the plan, we must pay pensions on the last day of the month. Since we can only make bank deposits from Monday to Friday, we will deposit your payment on the last business day of the month.

## Pre-authorized payments

If you use pre-authorized payments to pay any of your bills and haven't made the necessary banking adjustments, don't forget to do so as soon as possible.

## Test for Snowbirds

By now, most snowbirds have flown home to enjoy our milder seasons. However, if you spent a lot of time in the U.S. this past winter, don't forget about the possible tax implications of your recent hibernation.

## June 15 deadline

Last issue, we had a feature on the tax implications of spending several months in the U.S.

If you meet the substantial presence test for 1994, you must file a Closer Connection Exemption or a U.S. tax return claiming a treaty exemption by June 15, 1995. The test is

used to calculate the weighted average of the number of days you have spent in the U.S. in the last three calendar years.

For more information, refer to the Fall 1994 issue of *Pension News* (Issue 9). If you have additional questions, please contact your tax advisor, the Canadian Snowbird Association or the U.S. Internal Revenue Service directly.

## Two New Directors Join Board

*Jalynn H. Bennett*, president of a consulting firm that specializes in strategic planning and organizational development, and *David Lennox*, Secretary of the Ontario Public School Teachers' Federation, are the newest members of the Board of Directors.

Bennett replaces Duncan Green, who retired at the end of 1994. Lennox replaces Margaret Wilson, who resigned to become the first registrar of the Ontario College of Teachers.

## Pension News

*Pension News* is published for pensioners by the Communications Department of the Teachers' Pension Plan Board.

If you have any comments or ideas, call me at (416) 730-5357 or write to:

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 1-800-387-0945

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Ce bulletin est disponible également en français.

